



BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

OCT 25 2005

JEFF HATCH-MILLER Chairman
WILLIAM A. MUNDELL
MARC SPITZER
MIKE GLEASON
KRISTIN K. MAYES

DOCKETED BY

KA

IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES COMPANY FOR AN
EXTENSION OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY FOR WATER
AND WASTEWATER SERVICE.

DOCKET NO. WS-02987A-05-0088

DECISION NO. 68235

OPINION AND ORDER

DATE OF HEARING:

August 1, 2005

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Dwight D. Nodes¹

APPEARANCES:

Mr. Richard Sallquist, SALLQUIST,
DRUMMOND & O'CONNOR, on behalf of
Applicant;

Mr. David Ronald, Staff Attorney, Legal
Division, on behalf of the Utilities Division of
the Arizona Corporation Commission; and

Mr. Patrick J. Black, FENNEMORE CRAIG, on
behalf of Standard Pacific of Arizona, Inc.

BY THE COMMISSION:

On February 11, 2005, Johnson Utilities, LLC, dba Johnson Utilities Company ("Johnson Utilities" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water and wastewater service.

On March 10, 2005, the Commission's Utilities Division ("Staff") issued a letter of insufficiency which stated that the application had not met the sufficiency requirements of A.A.C. R14-2-402(C).

On April 7, 2005, Staff filed a letter of sufficiency.

¹ Dwight Nodes conducted the hearing in this proceeding and Administrative Law Judge Amy Bjelland drafted the Recommended Opinion and Order.

1 On April 12, 2005, by Procedural Order, this matter was set for hearing on July 13, 2005, and
2 Johnson was ordered to notify all property owners in the affected area of the application and hearing
3 date.

4 On May 12, 2005, Notice of Withdrawal of Counsel for the Company was filed.

5 On June 1, 2005, Diversified Water Utilities, Inc. ("Diversified") filed an Application to
6 Intervene.

7 On June 2, 2005, the Company filed an Affidavit of Publication as set forth in the April 12,
8 2005 Procedural Order.

9 On June 3, 2005, by Procedural Order, counsel for the Company was ordered to comply with
10 A.A.C. R14-3-104(e) regarding the rules for Withdrawal of Counsel.

11 On June 6, 2005, Staff filed its Staff Report in this matter recommending that the Commission
12 issue an Order Preliminary.

13 On June 8, 2005, counsel for the Company filed an Application of Withdrawal as Counsel
14 pursuant to the June 3, 2005 Procedural Order.

15 On June 13, 2005, an Application for Substitution as Counsel was filed for the Company.

16 On June 17, 2005, Standard Pacific of Arizona, Inc. ("Standard Pacific") filed an Application
17 for Leave to Intervene.

18 On June 20, 2005, Diversified filed a Request for Additional Time to File Comments to the
19 Staff Report.

20 On June 20, 2005, the Company filed Objections to the Staff Report.

21 On June 21, 2005, by Procedural Order, the firm of Fennemore Craig was granted its request
22 to withdraw as counsel for the Company and Diversified was granted intervention.

23 On June 23, 2005, Staff filed a response to Diversified's request for additional time to file
24 comments to the Staff Report stating it had no objection and requesting that the hearing date be
25 moved to a later date.

26 On June 30, 2005, Johnson and Diversified filed a joint settlement statement.

27 On July 7, 2005, by Procedural Order, the evidentiary portion of the hearing was rescheduled
28 to August 1, 2005 and Standard Pacific was granted intervention.

1 On July 27, 2005, Staff filed an Amendment to its Staff Report.

2 On August 1, 2005, a hearing was convened before a duly authorized Administrative Law
3 Judge of the Commission at its offices in Phoenix, Arizona. Johnson Utilities and Staff entered
4 appearances through counsel. At the conclusion of the hearing, the matter was taken under
5 advisement pending issuance of a Recommended Opinion and Order.

6 * * * * *

7 Having considered the entire record herein and being fully advised in the premises, the
8 Commission finds, concludes, and orders that:

9 **FINDINGS OF FACT**

10 **Background of Application**

11 1. Johnson Utilities is a public service corporation that provides water and wastewater
12 service in Pinal County, Arizona pursuant to an original CC&N granted in Decision No. 60223 (May
13 27, 1997). Subsequent CC&N extensions for water and/or wastewater service were granted to
14 Johnson Utilities in a number of other dockets.

15 2. On February 11, 2005, Johnson Utilities filed an application seeking to extend its
16 CC&N to provide water and wastewater service to an area adjacent to the CC&N area based on a
17 request for service from Standard Pacific of Arizona, Inc. (Ex. A-1).

18 3. The requested extension area includes approximately 100 acres in an area that is
19 contiguous to Johnson Utilities' current wastewater CC&N on its northern and western borders and is
20 designed to contain approximately 351 residential lots (Ex. A-2). The proposed extension area, a
21 development known as Quail Run, is located in Pinal County and covers a portion of Section 24,
22 Township 3 South, Range 8 East, and is more fully described in Attachment A, attached hereto (Ex.
23 A-3).

24 4. By Procedural Order issued April 12, 2005, this matter was scheduled for hearing on
25 July 13, 2005 and Johnson Utilities was ordered to publish notice of the hearing and notify all
26 property owners in the affected area of the application and the hearing date.²

27 ² By Procedural Order issued July 7, 2005, the evidentiary hearing was rescheduled to August 1, 2005, due to a
28 scheduling conflict. However, the July 13, 2005 hearing date was retained in order to protect the published notice. No
public comment witnesses appeared at the July 13, 2005 hearing.

1 5. On June 2, 2005, the Company filed a Notice of Compliance with the Customer
2 Notice and Publication requirements set forth in the April 12, 2005 Procedural Order (Ex. A-4).

3 6. On June 1, 2005, Diversified filed an Application to Intervene. On June 17, 2005,
4 Standard Pacific filed an Application for Leave to Intervene. On June 21, 2005, by Procedural Order,
5 Diversified was granted intervention. On July 7, 2005, by Procedural Order, Standard Pacific was
6 granted intervention.

7 7. On June 6, 2005, Staff filed its Staff Report, concluding, among other things, that
8 Johnson Utilities did not have adequate production and storage capacity to serve both the existing and
9 proposed CC&N areas (Ex. S-1). Staff recommended that, should the Commission grant the
10 requested extension to the Company, the Commission issue an Order Preliminary to issuance of the
11 ultimate CC&N Extension pursuant to A.R.S. §40-282(D) (*Id.*).

12 8. On June 30, 2005, Johnson Utilities and Diversified filed a "Joint Settlement
13 Statement" that describes a resolution of an ongoing dispute between those parties with respect to
14 which company is best suited to serve the area of Pinal County described in their Settlement. The
15 Settlement generally provides that Diversified will serve the area north of Bella Vista Road between
16 the Union Pacific Railroad and the Central Arizona Project Canal. Johnson Utilities would provide
17 water service south of Bella Vista Road. Both parties agree that they will not seek to extend their
18 certificates or operations within the other company's "planning area." Diversified and Johnson
19 Utilities filed their "Joint Settlement Statement" in this docket. The Settlement represents an
20 agreement between two regulated public service corporations that we will consider as part of our
21 deliberations in this proceeding. The Settlement is not binding on us, but is one consideration that
22 will assist us in our deliberation of future matters involving these companies or the property they
23 have delineated as their "planning areas." Although we appreciate the efforts of the companies to
24 settle their long-standing differences, we decline to approve the agreement between Diversified and
25 Johnson. We wish to make clear that each application for a CC&N extension will be considered
26 based on its individual merits and the public interest, and not solely on the agreement of companies
27 that have decided to carve out specific future service territories.

28 9. On July 27, 2005, Staff filed an amendment to the Staff Report, stating that Johnson

1 Utilities provided new information regarding new wells recently placed in service and adjustments to
2 flows to existing wells brought about by pump replacements and blending (Ex. S-2). Staff
3 particularly noted that the San Tan Heights Well No. 2 received an Approval of Construction from
4 the Arizona Department of Environmental Quality ("ADEQ") on April 18, 2005, for 700 gallons per
5 minute (*Id.*). In addition, the Morning Sun Farm Well No. 1 received an Approval of Construction on
6 June 3, 2005, for 1,100 gallons per minute (*Id.*). Based on the new information and the demand
7 requirements used in calculations in the original Staff Report, Staff indicates that there will be
8 enough well capacity to provide for an annual peak day demand of 521 gallons per day of service
9 through December 2005 and an average daily demand during the peak month of 417 gallons per day
10 of service through June 2006 (*Id.*). Additionally, Johnson Utilities currently has applications pending
11 with ADEQ for the Crestfield Wells Nos. 1 and 2, each of which is expected to produce 1,000 gallons
12 per minute (*Id.*). Therefore Staff concludes that the existing system has adequate production and
13 storage capacity (*Id.*).

14 10. A public hearing on the application was held as scheduled on August 1, 2005. At
15 hearing, Staff introduced, and the Administrative Law Judge admitted into evidence, without
16 objection, Staff's Revised Recommendations (Ex. S-3).

17 **Wastewater System**

18 11. Quail Run will have an eight-inch gravity sewer throughout the development that will
19 be pumped by lift station and force main to the existing Sonoran Villages development lift station
20 (Ex. S-1).

21 12. Pursuant to Section 208 of the Federal Water Pollution Control Act, each state is
22 required to develop and implement area-wide water quality management plans for pollution control
23 purposes. The Central Arizona Association of Governments ("CAAG") has been designated as the
24 area-wide water quality management planning agency for Pinal County. The extension area sought in
25 this proceeding is within the CAAG §208 planning area for Johnson Utilities, for service provided by
26 Copper Basin, and therefore conforms to the area-wide wastewater plans (Ex. S-1). The Copper
27 Basin regional facility is a master planned wastewater treatment project for which Johnson Utilities
28 has obtained CAAG §208 Water Quality Plan approval. Copper Basin encompasses the Quail Run

1 development and is matched to projected development and population densities.

2 13. Staff indicates that the proposed wastewater system has, or can reasonably be expected
3 to develop, the necessary sewage treatment capacity to serve the proposed CC&N extension area for
4 Quail Run and is consistent with the approved CAAG §208 Water Quality Plan for Johnson Utilities
5 (Ex. S-1).

6 **Water System**

7 14. Staff states that Quail Run will be served by the Johnson Utilities public water system
8 number 11-128. Based on historical growth rates, Staff anticipates that the existing service area
9 could have 22,000 total customers at the end of five years. Johnson Utilities projects an additional
10 351 customers for the proposed CC&N extension at the end of five years. The initial Staff Report
11 states that the existing production and storage adequately serve approximately 8,235 connections
12 under peak conditions. Thus, Staff initially concluded that Johnson Utilities did not currently have
13 enough capacity to adequately serve its existing customers during peak periods (Ex. S-1).

14 15. Subsequent to issuance of the initial Staff Report on June 6, 2005, Johnson Utilities
15 provided additional information to Staff regarding the well capacity issue. Based on this additional
16 information, Staff states in its Amendment to Staff Report filed on July 27, 2005, that there are new
17 wells that have recently been placed in service as well as adjustments to flows to existing wells
18 brought about by pump replacements and blending (Ex. S-2). Johnson Utilities received an Approval
19 of Construction from ADEQ on April 18, 2005 for the San Tan Heights Well No. 2 for 700 gallons
20 per minute. The Morning Sun Farm Well No. 1 received an Approval of Construction on June 3,
21 2005, for 1,100 gallons per minute.

22 16. Staff states that based upon the demand requirements discussed in the June 6, 2005
23 Staff Report, the updated customer count provided by Johnson Utilities of 10,833 customers at the
24 end of May 2005, and assuming an average growth rate of 500 customers per month, there will be
25 enough well capacity for an annual peak day demand of 521 gallons per day service through
26 December 2005 and an average daily demand during the peak month of 417 gallons per day service
27 through June 2006 (Ex. S-2).

28 17. Staff additionally notes that Johnson Utilities has submitted copies of applications for

1 the Crestfield Wells Nos. 1 and 2, which Johnson Utilities submitted to ADEQ on May 26, 2005.
2 Each well is expected to produce 1,000 gallons per minute. Taken together, this information leads
3 Staff to conclude that the existing system has adequate production and storage capacity (Ex. S-2).

4 **La Osa and Sonoran Litigation**

5 18. Staff notes that the Arizona Attorney General's Office filed a civil lawsuit against the
6 principal owner of Johnson Utilities, George Johnson, and against various affiliates of Johnson
7 Utilities, on February 14, 2005³. The allegations against Mr. Johnson and the Johnson Utilities
8 affiliates include trespass, breach of a grazing lease, destruction of native plants on state and private
9 land, water quality discharge violations, and unlawful killing of bighorn sheep. Staff states that the
10 litigation is focused primarily on Mr. Johnson's actions as the owner of La Osa Ranch, a 10,000 acre
11 property in southern Pinal County, which is adjacent to state trust land and the Ironwood National
12 Forest Monument. Johnson Utilities is not named in the lawsuit.

13 19. Sonoran Utility Services, LLC, which was previously owned by Mr. Johnson or
14 Johnson affiliates, is also named as a defendant in a civil lawsuit filed by Lennar Communities
15 Development, Inc. related to the formation and operation of the 387 Water Improvement District and
16 the 387 Wastewater Improvement District⁴. Although Mr. Johnson was named personally as a
17 defendant in the Sonoran litigation, Johnson Utilities Company is not a party in the lawsuit.

18 20. Johnson Utilities' executive vice-president, Brian Tompsett, testified regarding the La
19 Osa litigation that the defendant, Johnson et al, in the case filed motions to dismiss on a number of
20 the causes alleged by the Attorney General's Office. (Tr. at 35) At the time of the hearing, the
21 Superior Court had taken these matters under advisement. The Commission takes administrative
22 notice of the Ruling filed in Maricopa County Superior Court on August 26, 2005, wherein the Court
23 denied the Johnson Defendants' Motions to Dismiss Counts Seven and Eight of the Complaint.
24 Counts Seven and Eight relate to liability for the death of a number of bighorn sheep alleged in the La
25 Osa litigation.

26 21. Both the La Osa and Sonoran litigation are ongoing at this time.

27
28 ³ Maricopa County Superior Court Case No. CV2005-002692 ("La Osa Litigation").

⁴ Maricopa County Superior Court Case No. CV2005-002548 ("Sonoran litigation").

1 **Staff Recommendations**

2 22. The Staff Report, filed on June 6, 2005, was based on incomplete information as
3 discussed above. It set forth a number of requirements to be satisfied as a condition of extending
4 Johnson Utilities' CC&N as requested in this docket (Ex. S-1). Staff requested that the Commission
5 issue, pursuant to A.R.S. §40-282(D), an "Order Preliminary" to the issuance of the ultimate CC&N
6 extension to Johnson Utilities (*Id.*). Due to Staff's Amended Staff Report, wherein Staff agreed that
7 Johnson Utilities has sufficient production capacity (Ex. S-2), there is no longer a need to address the
8 issue of whether an "Order Preliminary" is necessary in this proceeding.

9 23. At hearing, the Administrative Law Judge admitted into evidence Staff's revised
10 recommendations for this docket (Ex. S-3). Staff's revised recommendations no longer include the
11 need for an "Order Preliminary." Staff recommends approval of the Application (Tr. at 81), with
12 requirements as follows, that Johnson Utilities:

- 13 (a) Be required to update or amend its Designation of Assured Water
14 supply to include the service area in this CC&N extension application.
15 Johnson Utilities shall file with Docket Control under this same docket
16 number the amended Designation of Assured Water Supply, stating
 that there is adequate water supply, where applicable or when required
 by statute within 365 days of the Decision in this case.
- 17 (b) File with Docket Control, for Staff review and/or approval, a copy of
18 the fully executed main extension agreements for water facilities for
19 Quail Run within 365 days of the Decision in this case.
- 20 (c) File with Docket Control the Unified (Aquifer Protection) Water
21 Quality Permits issued by ADEQ for the Copper Basin Regional
22 Wastewater Treatment Facility within 365 days of the Decision in this
23 case.
- 24 (d) Be required to charge its authorized rates and charges for water and
25 wastewater in the extension area.
- 26 (e) Submit a full rate case filing for both the water and wastewater
27 divisions using a 2005 test year no later than April 30, 2006. As an
28 alternative, it is recommended that the Commission order Staff to
 perform an audit of the Johnson Utilities Hook-up Fee Account within
 three months of a Decision in this matter and provide the Commission
 with appropriate recommendations.

1 (f) Be required to file a quarterly report with the Compliance Section
2 regarding the status of the pending La Osa Litigation.

3 (g) Be required to file Affiliate Interest reports pursuant to A.A.C. R14-2-
4 801 et al.

5 24. Staff further recommends that the Commission's Decision granting the requested
6 CC&N extension to Johnson Utilities be considered null and void without further order from the
7 Commission should Johnson Utilities fail to met Conditions (a), (b) and (c) above within the time
8 specified (Ex. S-3).

9 **Conclusion**

10 25. Staff's original recommendation that the Commission issue an "Order Preliminary" is
11 no longer necessary in light of the subsequent information presented by Staff and Johnson Utilities
12 with respect to available production capacity.

13 26. Staff's recommendation for approval of the application is reasonable and shall be
14 adopted, subject to compliance with the conditions discussed herein. In addition, we will require that
15 the reporting requirements and conditions described above for the La Osa litigation shall also be
16 required with respect to the Sonoran litigation.

17 27. In a prior water and wastewater CC&N extension proceeding involving Palo Verde
18 Utilities Company, LLC, and Santa Cruz Water Company, LLC, we required each company to
19 procure a \$500,000 performance bond due to a substantial judgment that had been entered by a court
20 in Oregon against the president of both companies⁵. The performance bond requirements were
21 imposed as a measure of protection for the companies' customers due to the possibility that the
22 utilities could be affected by the judgment, because of those companies' limited operating experience,
23 and because of rapidly expanding service areas. Although Johnson Utilities Company insists that its
24 operations are well insulated from any judgment that may be entered against Mr. Johnson and the
25 other non-utility affiliates named in the lawsuits, we believe it is prudent at this time to require
26 Johnson Utilities to procure a \$500,000 performance bond as a means of protection against any
27 potential detrimental impact on customers that may occur as a result of a judgment against Mr.

28 ⁵ Decision No. 66394 (October 6, 2003), at 11-12. The performance bond requirements for Palo Verde and Santa Cruz
were increased to \$750,000 per company in a subsequent CC&N extension proceeding. Decision No. 67240 (September
23, 2004), at 15.

1 Johnson and/or Johnson Utilities affiliates. If Johnson Utilities is named as a defendant in either the
2 La Osa or Sonoran lawsuits, the required bond amount shall be increased to \$1 million. Proof of the
3 performance bond shall be filed in this docket prior to service being provided to any customers in the
4 CC&N extension area. The bonds shall remain in place until further Order of the Commission.

5 28. Given the rapid expansion of Johnson Utilities' service area in the past several years
6 and the fact that the Company has not filed a rate case since its rates were initially established in
7 1997, we agree with Staff that Johnson Utilities should be required to file a rate application for both
8 water and wastewater in order to allow Staff to perform a full audit of the Company's operations and
9 to ensure that the established rates are reasonable based on all plant, revenues and expenses.
10 However, we will amend Staff's proposed filing date and require Johnson Utilities to file, by no later
11 than May 1, 2007, a rate application for both water and wastewater, based on a 2006 test year. In
12 addition, Staff shall commence an audit of Johnson Utilities' hook-up fee accounts, for both water
13 and wastewater, by no later than March 31, 2006.

14 CONCLUSIONS OF LAW

15 1. Johnson Utilities is a public service corporation within the meaning of Article XV of
16 the Arizona Constitution and A.R.S. §40-281 *et seq.*

17 2. The Commission has jurisdiction over Johnson Utilities and the subject matter of the
18 application.

19 3. Notice of the application was provided in accordance with law.

20 4. There is a public need and necessity for water and wastewater utility service in the
21 proposed extension area.

22 5. Johnson Utilities is a fit and proper entity to receive an extension of its wastewater
23 CC&N to include the service area more fully described in Exhibit A attached hereto, subject to
24 compliance with the conditions set forth above.

25 ORDER

26 IT IS THEREFORE ORDERED that the application of Johnson Utilities Company for an
27 extension of the service area under its Certificate of Convenience and Necessity to include the area
28 described in Exhibit A attached hereto and incorporated herein by reference be, and is hereby

1 approved, subject to the conditions more fully described herein.

2 IT IS FURTHER ORDERED that Johnson Utilities Company is required to update or amend
3 its Designation of Assured Water supply to include the service area in this CC&N extension
4 application. Johnson Utilities Company shall file with Docket Control under this same docket
5 number the amended Designation of Assured Water Supply, stating that there is adequate water
6 supply, where applicable or when required by statute within 365 days of the decision in this case.

7 IT IS FURTHER ORDERED that Johnson Utilities Company must file with Docket Control,
8 as a compliance item in this docket, for Staff review, a copy of the fully executed main extension
9 agreements for water facilities for Quail Run within 365 days of the decision in this case.

10 IT IS FURTHER ORDERED that Johnson Utilities Company must file with Docket Control,
11 as a compliance item in this docket, the Unified (Aquifer Protection) Water Quality Permits issued by
12 ADEQ for the Copper Basin Regional Wastewater Treatment Facility within 365 days of the decision
13 in this case.

14 IT IS FURTHER ORDERED that Johnson Utilities Company is required to charge its
15 authorized rates and charges for water and wastewater in the extension area.

16 IT IS FURTHER ORDERED that Johnson Utilities Company is required to file a quarterly
17 report with the Docket Control, as a compliance item in this docket, regarding the status of the
18 pending La Osa and Sonoran Litigation.

19 IT IS FURTHER ORDERED that Johnson Utilities Company is required to file Affiliate
20 Interest reports pursuant to A.A.C. R14-2-801 et al.

21 IT IS FURTHER ORDERED that in the event Johnson Utilities Company fails to comply
22 with the above-stated conditions within the times specified, the CC&N extension approved herein
23 shall be deemed null and void without further Order of the Commission.

24 IT IS FURTHER ORDERED that Johnson Utilities Company shall procure a \$500,000
25 performance bond, with proof of such performance bond filed in Docket Control, as a compliance
26 item in this docket, prior to retail service being provided to any customers in the CC&N extension
27 area. If Johnson Utilities Company is named as a defendant in either the La Osa or Sonoran lawsuits,
28 the required bond amount shall be increased to \$1 million. The performance bond shall remain in

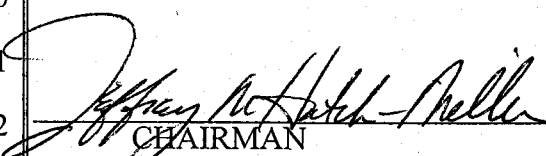
place until further Order of the Commission and maintenance of the required bond shall be evidenced by a quarterly filing (by January 15, April 15, July 15, and October 15) of a letter of bond confirmation.

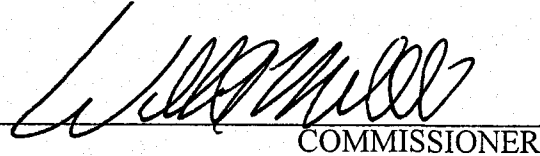
IT IS FURTHER ORDERED that Johnson Utilities Company must submit a full rate case filing for both the water and wastewater divisions using a 2006 test year no later than May 1, 2007.

IT IS FURTHER ORDERED that Staff shall commence an audit of Johnson Utilities Company's hook-up fee accounts, for both water and wastewater, by no later than March 31, 2006.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.


CHAIRMAN

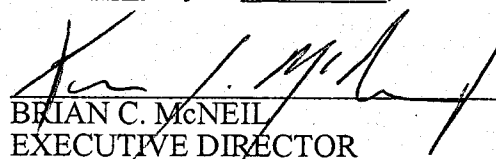

COMMISSIONER


COMMISSIONER


COMMISSIONER


COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 25th day of Oct., 2005.


BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT _____

DISSENT _____

AB:mj

1 SERVICE LIST FOR:

JOHNSON UTILITIES COMPANY

2 DOCKET NO.:

WS-02987A-05-0088

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EXHIBIT "A"

A PARCEL OF LAND BEING SITUATE IN THE WEST HALF OF THE WEST HALF OF SECTION 24, TOWNSHIP 3 SOUTH, RANGE 8 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA, HAVING A BOUNDARY MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING FOR A TIE AT THE ARIZONA HIGHWAY DEPARTMENT BRASS CAP MARKING THE NORTHWEST CORNER OF SAID SECTION 24, FROM WHICH THE ARIZONA HIGHWAY DEPARTMENT BRASS CAP MARKING THE WEST QUARTER SECTION CORNER OF SAID SECTION 24 BEARS SOUTH 0 DEGREES 18 MINUTES 56 SECONDS EAST, 2652.01 FEET DISTANT;

THENCE NORTH 89 DEGREES 58 MINUTES 50 SECONDS EAST, 1351.43 FEET TO THE WEST 1/16 CORNER OF SAID SECTION 24;

THENCE SOUTH 0 DEGREES 16 MINUTES 45 SECONDS EAST, 40.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 0 DEGREES 16 MINUTES 45 SECONDS EAST, 2611.56 FEET TO A POINT ON THE EAST-WEST MID-SECTION LINE OF SECTION 24;

THENCE SOUTH 0 DEGREES 26 MINUTES 44 SECONDS EAST, 713.09 FEET TO THE SOUTHEAST CORNER OF SUBJECT PARCEL;

THENCE SOUTH 89 DEGREES 57 MINUTES 58 SECONDS WEST, 1307.23 FEET TO THE SOUTHWEST CORNER OF SUBJECT PARCEL, SAID POINT BEING ON THE EASTERLY RIGHT-OF-WAY LINE OF QUAIL RUN ROAD;

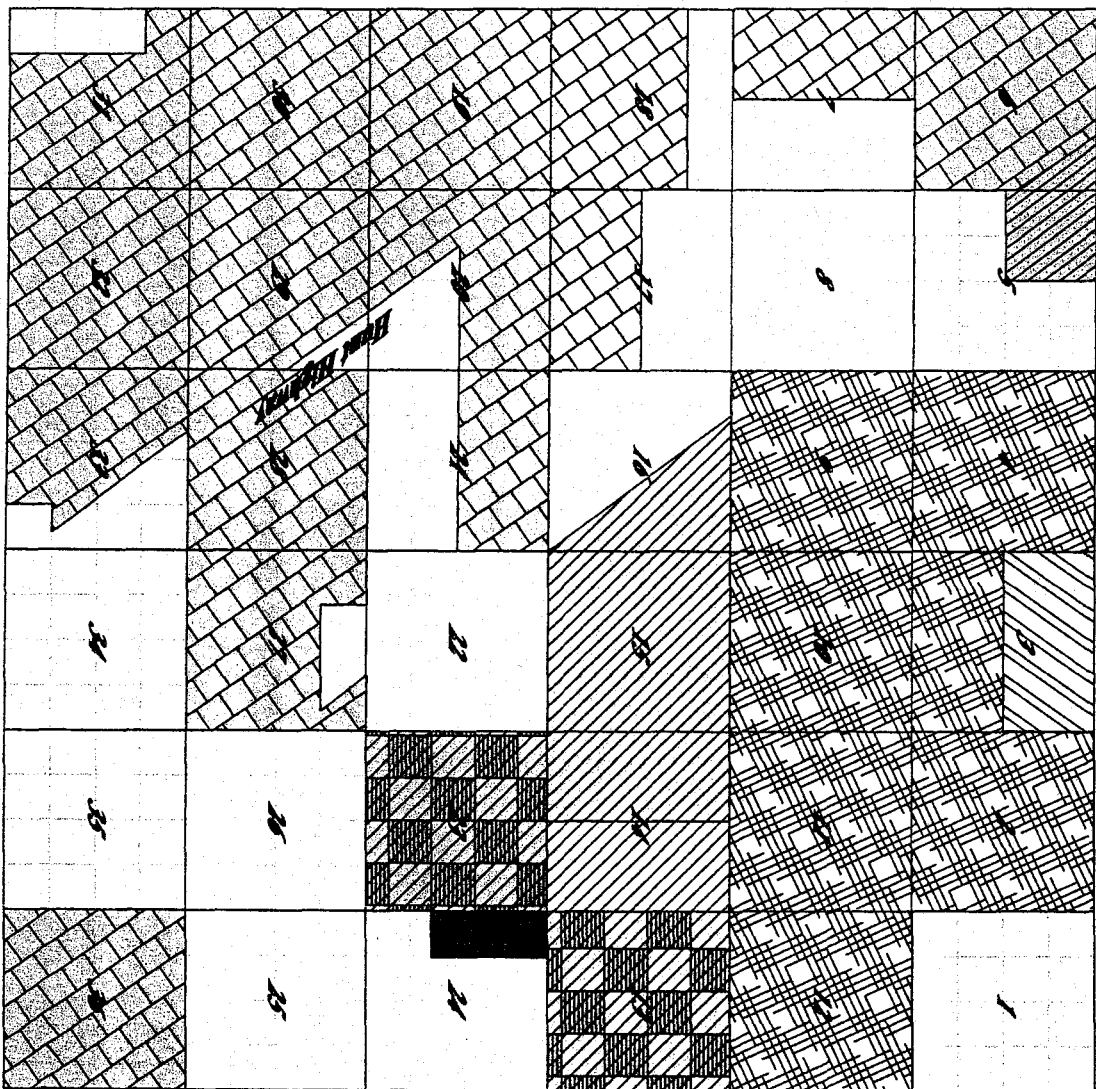
THENCE NORTH 0 DEGREES 38 MINUTES 54 SECONDS WEST, 713.11 FEET TO A POINT ON THE EAST-WEST MID-SECTION LINE, SECTION 24 AND FROM WHICH POINT THE WEST QUARTER SECTION CORNER OF SECTION 24 BEARS SOUTH 89 DEGREES 57 MINUTES 58 SECONDS WEST, 40.00 FEET;

THENCE NORTH 0 DEGREES 18 MINUTES 56 SECONDS WEST, ALONG THE EASTERLY RIGHT-OF-WAY LINE OF QUAIL RUN ROAD 2612.00 FEET;

THENCE NORTH 89 DEGREES 58 MINUTES 50 SECONDS EAST, 1311.40 FEET TO THE TRUE POINT OF BEGINNING.

COUNTY: Pinal






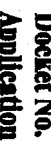



RANGE 8 East



TOWNSHIP 3 South

Map No. 11

Decision No. 68235

-  W-2859 (3)
Diversified Water Utilities, Inc.
-  W-2234 (2)
H₂O, Inc.
-  WS-2987 (6)
Johnson Utilities Company
-  W-2425 (2)
Sun Valley Farms Unit VI Water Company
-  Diversified Water Utilities, Inc.
Docket No. W-2859-04-844
Application for Extension
-  Competing Application with Johnson for Sections 13 & 23
-  Johnson Utilities Company (Water)
Docket No. WS-2987-04-869
Application for Extension
-  Competing Application with Diversified for Sections 13 & 23
-  Johnson Utilities Company (Water)
Docket No. WS-2987-05-088
Application for Extension